



Iowa Department of **REVENUE**

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IOWA SALES TAX ON FOOD

Foods for Human Consumption

The exempt status of the purchase of food is not solely determined by whether the food is eligible for purchase with Food Stamps. Under the [Streamlined Sales Tax Project](#), many products are exempt from Iowa sales tax whether or not they are purchased with Food Stamps.

Food Stamp Purchases

When eligible food items are purchased using only Food Stamps, they are exempt from sales tax.

If a purchase is made using Food Stamps and cash, a retailer may choose to either (1) exempt the entire purchase of eligible food items, or (2) apply the value of the Food Stamps first to eligible food items that otherwise are taxable, charging no tax on the sale of those items while charging sales tax on any remaining items for which cash is paid. Call the US Department of Agriculture, Food and Nutrition Service at 515-284-4035 if you have questions about whether or not an item can be purchased with Food Stamps.

Once a retailer chooses one of these two methods, it applies to all sales by that retailer until the Department of Revenue is notified of a change.

Exempt Products

General Listing

Sales of the following types of food products for consumption off the premises of the retailer are exempt from tax. Remember that retailer-prepared food for immediate consumption, candy, candy-coated items, candy products, and certain beverages are taxable.

This list is intended to provide general understanding of the types of foods that are exempt.

- Bread and flour products
- Bottled water
- Cereal and cereal products, unless taxable as candy in the form of a bar
- Cocoa and cocoa products, unless taxable as candy
- Coffee and coffee substitutes

- Cooking ingredients
- Dietary substitutes and specialty foods
- Eggs and egg products
- Fish and fish products
- Frozen foods
- Fruits / fruit products / fruit juices containing more than 50% fruit or vegetable juice
- Meats and meat products
- Milk and milk products, including packaged ice cream products
- Oleomargarine, butter, and shortening
- Snack foods, spices, condiments, extracts, and artificial food coloring
- Sugar, sugar products and substitutes, unless taxable as candy
- Tea
- Vegetables and vegetable products

Unique Categories of Exempt Foods

Most products can easily be classified either as food or food products or as nonfood items. However, certain items may be difficult to categorize. The following guidelines apply to some of the more unique categories of exempt foods. This list is not a complete list.

Ice

If specifically labeled for nonfood use, ice is taxable; otherwise, it is exempt from tax.

Specialty Foods

This category includes special foods, such as diabetic and dietetic, enriched or fortified foods, infant formulas, and certain foods commonly referred to as health food items or dietary replacements. This category includes Slim Fast, Carnation Instant Breakfast, Sustacal, Ensure, and Boost. Sales of these items are exempt.

NOTE: If the product is primarily used as a food or in preparing food, the sale is exempt. If used primarily for medicinal purposes as either a therapeutic agent or deficiency corrector, the sale is taxable.

Snack Foods

The sale of these products is generally exempt from sales tax. Typical examples are nuts, potato chips, popcorn, corn chips, and pretzels.

Snack food items are not taxable because they are eligible to be purchased with Food Stamps.

NOTE: Sales of candy, candy-coated items, candy products, and certain beverages often considered snacks are subject to sales tax unless Food Stamps are used.

Food Ingredients

Certain food items incorporated into foods are exempt. An example is pectin, commonly used as a base in making jams and jellies. Other examples are lard and vegetable oils.

Food Baskets

Food basket sales are exempt if the value of the exempt food items is greater than the value of the taxable items. The basket and other decorative items are usually taxable. If these types of items are clearly the most expensive part of the merchandise, the entire food basket is taxable.

Taxable Products

General Listing

The following general classifications of products are subject to tax:

- Alcoholic beverages
- Candy, candy-coated items, and candy products, including gum
- Certain beverages, including those with 50% or less fruit or vegetable juice
- Cosmetics
- Dietary supplements
- Chewing gum
- Health aids
- Household aids
- Paper products
- Pet foods and supplies
- Soaps and detergents
- Tobacco products
- Toiletry articles
- Tonics
- Vitamins and minerals

Vitamins, Minerals, and Dietary Supplements

Vitamins and minerals are supplements to food and food products. They do not replace food. Their sales are taxable. They cannot be purchased with Food Stamps because they occur naturally in food. This category includes products such as cod liver oil, which is used primarily as a source of vitamins A and D. Other similar items which are primarily used for medicinal purposes or as health aids are taxable.

Dietary supplements are subject to tax. Dietary supplements:

- contain one or more specified ingredients; and
- are intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such a form, is not represented as a conventional food or for use as the sole item of a meal; and
- contain a “supplement facts” box on the label.

Note: Sales of prescription drugs are exempt from tax.

Health Aids

Sales of products used primarily as health aids or therapeutic agents are generally taxable. These include aspirin, cough drops or syrups, and other cold remedies, antacids, and all patent medicines or other products used as health aids. Sales of any product used primarily for medicinal purposes are taxable.

Garden Seeds and Plants

Sales of seeds and plants used to produce food are subject to sales tax if the primary user/consumer of the produce is the buyer.

If the produce from the seeds and plants are grown by a commercial produce grower or truck gardener primarily for resale, then the sales of seeds or plants that produce food are exempt.

Examples of vegetable seeds and food-producing plants are tomato and green pepper plants; fruit trees; food-producing roots, bushes, and bulbs, such as asparagus roots and onion sets; seeds and plants used to produce spices for use in cooking foods.

Note: Pumpkins are exempt from Iowa sales tax. Inedible decorative gourds are taxable.

Candy, Candy-Coated Items and Candy Products

Candy and candy-coated products are taxable unless they contain flour.

Taxable Candy Examples

- Candy, candy-coated items, and candy products include preparations normally considered to be candy
- Fruits, nuts, or other ingredients in combination with sugar, chocolate, honey, or other natural or artificial sweeteners in the form of bars, drops, or pieces
- Chewing gum
- Sweetened baking chocolate in bars, pieces, or chips
- Caramel wraps, caramel or other candy-coated apples or other fruit
- Sweetened coconut
- Hard or soft candies including jelly beans, taffy, licorice, and mints
- Dried fruit leathers or other similar products prepared with natural or artificial sweeteners
- Marshmallows
- Ready-to-eat caramel corn, kettle corn, and other candy-coated popcorn
- Granola bars, unless they contain flour
- Candy breath mints
- Mixes of candy pieces, dried fruits, nuts, and similar items when candy is more than an incidental ingredient in the product
- Candy primarily intended for decorating baked goods

Exempt Examples, not considered candy

The following are not considered candy, and the sales of them are not subject to tax, unless taxable as prepared food.

- Jams, jellies, preserves, or syrups
- Frostings and other decorating ingredients
- Dried fruits
- Marshmallow cream
- Breakfast cereals
- Prepared fruit in a sugar or similar base

- Ice cream, popsicles, or other frozen desserts covered with chocolate or similar covering
- Unpopped caramel corn, kettle corn and other candy-coated popcorn
- Cakes and cookies
- Candy containing flour, unless the flour is added only to exclude its sale from tax
- Cotton candy, unless taxable as prepared food
- Crackers
- Marzipan
- Unsweetened baking chocolate
- Unsweetened coconut

Beverages

Taxable Beverage Examples

- Carbonated and noncarbonated soft drinks, including but not limited to colas, ginger ale, near-beer, root beer, lemonade, orangeade
- All other drinks or punches with natural fruit or vegetable juice which contain 50 percent or less by volume natural fruit or vegetable juice; a typical example is Hi-C
- Beverage mixes and ingredients intended to be made into taxable beverages; liquid or frozen, concentrated or non-concentrated, dehydrated, Powdered, granulated, sweetened or unsweetened, seasoned or unseasoned
- concentrates intended to be made into beverages which contain 50% or less by volume natural fruit or vegetable juice
- All alcoholic beverages
- Sweetened naturally or artificially sweetened water

Exempt Beverage Examples

Unless sold as prepared food

- Bottled water, including effervescent and noneffervescent water, soda water, mineral water (non sweetened)
- Tea, coffee, (including bottled), unless sweetened or containing fruit/vegetable juice of 50 percent or less by volume
- Milk and beverages that contain primary dairy products or ingredient bases, such as egg nog
- Beverages that contain natural fruit or vegetable juice of more than 50% by volume (providing the container's label shows the percentage of natural fruit or vegetable juice)
- Soy, rice or similar milk substitutes
- Infant formula
- Nondairy coffee creamers in liquid, frozen, or powdered form
- Sugar or other artificial or natural sweeteners sold separately
- Beverage in concentrate or mix form to be made into an exempt beverage, such as frozen orange juice or apple juice
- Concentrates which when reconstituted are equivalent of more than 50% natural fruit or vegetable juices
- Mixes intended to be mixed with milk or dairy products, such as Nestle's Quik

- Specialty foods that are liquids or that are to be added to a liquid and that are intended to be a substitute in the diet of more commonly used food items are exempt, such as infant formulas

Prepared Foods

701—231.5(423) Sales of prepared food are subject to tax.

231.5(1) Prepared food.

a. “Prepared food” means any of the following:

1. Food sold in a heated state or heated by the seller, including food sold by a caterer or
2. Two or more food ingredients mixed or combined by the seller for sale as a single item or
3. Food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport food.

The types of retailers who are generally considered to be offering prepared food for sale include restaurants, coffee shops, cafeterias, convenience stores, snack shops, and concession stands, including those at recreation and entertainment facilities. Other retailers that often offer prepared food include vending machine retailers, mobile vendors, and concessionaires operating facilities for such activities as education, office work, or manufacturing.

If food is sold for consumption on the premises of a retailer, the food is rebuttably presumed to be prepared food. “Premises of a retailer” means the total space and facilities under control of the retailer or available to the retailer, including buildings, grounds, and parking lots that are made available or that are available for use by the retailer, for the purpose of sale of prepared food and drink or for the purpose of consumption of prepared food and drink sold by the retailer. Availability of self-service heating or other preparation facilities or eating facilities such as tables and chairs, and knives, forks, and spoons, indicates that food, food products, and drinks are sold for consumption on the premises of the retailer and are subject to tax as sales of prepared food.

The following examples are intended to show some of the situations in which sales are taxable as sales of prepared food and drink.

Example A. A movie theater owner operates a movie theater and a concession stand in the lobby of the theater. There is not a separate area set aside for eating facilities. Sales of prepared food and drink through the concession stand are taxable.

Example B. As a convenience to employees, a manufacturer owns and operates several food and drink vending machines located on the premises of the plant. No separate seating or other facilities for eating are provided. Sales of prepared food and drink through the vending machines are taxable.

Example C. Mobile vendor units located throughout an office are operated by the owner of the business and are stocked with snack food priced to cover the cost of the items to the employer. No separate eating facilities are provided. Sales of prepared food through the mobile vendors are taxable.

Example D. An insurance company hires a caterer to run a cafeteria that provides food, at a low cost, to its employees. The insurance company also pays the caterer an amount, per month, that varies with the number of meals the caterer serves to provide this food service. The caterer does not lease the cafeteria premises; therefore, the premises remains under the control of the insurance company. In this case, the caterer sells the food in a space made “available to the retailer [caterer],” and the amount which the insurance company pays, on a monthly basis, to the caterer is presumed to be the taxable sales price from the sale of prepared food, as well as the amount paid by the employees to the caterer.

b. “Prepared food,” for the purposes of this rule, does not include food that is any of the following:

1. Only cut, repackaged, or pasteurized by the seller.
2. Eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the United States Food and Drug Administration in Chapter 3, Part 401.11 of its Food Code, so as to prevent food-borne illnesses.
3. Bakery items sold by the seller that baked them. The term “bakery items” includes but is not limited to breads, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas. Baked goods sold for consumption on the premises by the seller that baked them are sold exempt from tax.
4. Food sold in an unheated state as a single item without eating utensils provided by the seller which is priced by weight or volume.

231.5(2) Examples. The following are additional examples of foods that are or are not “prepared foods,” the sales price of which is taxable.

Example A: A supermarket retailer cuts Bibb and romaine lettuce, mixes them together, and places them in a bag for sale. This is food that is only cut and repackaged. Its sale is not the sale of prepared food; therefore, its sale is exempt from tax.

Example B: The same factual situation as Example A above applies, except that the lettuce is mixed with a salad dressing, placed in a container, and sold as a salad which is ready to eat. Sale of the salad is a taxable sale of “prepared food.”

Example C: A supermarket retailer slices a roll of cotto salami and a roll of regular salami. The retailer places 10 slices of each in the same container and sells the combination as an Italian luncheon meat variety pack. This is, again, the sale of food which is only cut and repackaged. The sale of the salami is exempt from tax.

Example D: The same factual circumstances as in Example C apply, except that the retailer takes the sliced salami, places it between two slices of bread, adds some condiments, surrounds the meat, bread, and condiments with plastic, and sells the result as a ready-to-eat sandwich. This is prepared food, “two or more food ingredients...combined by the seller for sale as a single item,” and more is done to the ingredients than cutting and repackaging. Sales of the sandwiches are taxable.

This rule is intended to implement 2005 Iowa Code subsection 423.3(57).

Take-and-bake pizzas are not considered prepared food.

Bakery Goods

Bakery items sold by the seller that baked them are exempt from sales tax. Furthermore, baked goods sold by the seller that baked them are exempt from sales tax when sold for consumption on the premises of the seller.

Catered Foods

All sales of food, food products, and drinks on a catered basis are subject to tax.

Catering is – at the very least – delivering food that is ready to eat. This includes hot, delivered pizza. Catering can involve additional services beyond food delivery, including setup, serving, and cleanup.

If a retailer is advertised as a caterer and delivers food that is prepared to be eaten immediately, that service – including the charge for the food – is taxable. It does not matter if the caterer actually serves the food or not.

A person who makes pies and cakes and delivers them is not considered a caterer, and those sales are not taxable.

Delicatessens and Grocery Stores

Food sales from a delicatessen of prepared foods by a grocery store are generally subject to sales tax.

If several items are sold together as part of a meal and they are not separately itemized, the total amount charged for the meal is subject to sales tax. A meal might include a loose-meat sandwich, a bag of potato chips, and a soft drink for a single, combined price. The full amount of the sale is taxable.

Many delis take surplus food and package it and place it in a cooler separate from the deli counter. Generally, sales of this food are exempt from sales tax. Cole slaw, baked beans, and potato salad sold in various size containers are exempt from sales tax because they are not sold with eating utensils and are priced by weight or volume. However, meals prepared by the retailer and stored in a cooler are subject to sales tax because they are not priced by weight or volume. Typical examples include a meat loaf sandwich or a Chinese meal.

Restaurants

Tips

Monetary tips or gratuities which are included with the charge for meal service are subject to tax. If meal service cannot be obtained without paying the gratuity or if the gratuity is inseparable from the service charge, tax is due on the full amount charged for the meal service. Tips or gratuities paid voluntarily by the customer are not taxable.

Alcoholic Beverages

Sales of alcoholic beverages are subject to Iowa sales tax. If sales tax is included in the price of alcoholic beverages, the retailer must post a sign indicating that tax is included in the price.

The base price on which the sales tax is to be calculated can be determined by dividing the gross receipts from the sales of such alcoholic beverages by 1.06 (if only the state rate applies). The resulting amount is multiplied by the appropriate tax rate to arrive at the amount of sales tax due.

Meals Provided to Employees

Meals provided free of charge by a retail food establishment to its employees are exempt from sales tax.

Napkins, Paper Plates, and Plastic Tableware

Napkins, paper plates, and plastic tableware are exempt from sales tax when they are purchased to become part of the selling price of prepared food. If they are not part of the selling price, the food establishment must pay tax on them when they buy them. If the business purchased the items and did not pay sales tax but should have, the items must be included as goods consumed on the Iowa sales tax return.

Vending Machines

An operator who places vending (or other coin-operated) machines on different locations need only to hold one permit in a regular place of business. The one permit will apply to all machines located in Iowa.

If the sale of a substance is exempt from tax because it is a sale of “food” when the substance is sold by means other than a vending machine, then the sale of that same substance through a vending machine will also be exempt from tax. Conversely, if the sale of a substance by any means other than through a vending machine is taxable, then the sale of that same substance through a vending machine will also be taxable. See Prepared Food.

Energy Used in Processing

Energy includes heat, steam, electricity, gas, or any other tangible personal property consumed in creating heat, power, steam, or for generating electric current. Energy consumed in processing is exempt from Iowa sales and use tax.

Energy consumed in processing means energy that is directly applied in the actual processing of tangible personal property. This includes energy used to prepare food for sale.

Energy used for the purpose of general heating, ventilating or lighting of buildings, and any use other than that of direct processing is taxable.

To claim exemption, simply complete the [Iowa Sales Tax Exemption Certificate for Energy Used in Processing/Agriculture \(Form 31-113\)](#) and give it to your supplier. Your utility company will require an updated form at least every three years and will need documentation showing how the energy is used.

When filling out the exemption certificate for your utility company, you will need to show what percent of your total energy consumption is for exempt purposes. Separate meters for production and non-production use are ideal for determining the exempt and nonexempt energy percentages; however, a separate meter for non-production use is not practical in some cases. If you do not have production and non-production uses metered separately, you need to determine the percentage of total energy used for exempt purposes. Your utility company may be able to provide assistance, or you may seek the help of an energy consultant.

For additional information on how to calculate a fuel exemption, see the [Iowa Sales and Use Tax on Manufacturing and Processing publication](#).

Sales Tax Refunds

We often hear from people who feel that they have been charged sales tax on items that are exempt. Simply calling the Department is not sufficient. Instead, the taxpayer must file a written claim for refund on an [Iowa 843](#) (pdf) with all supporting documentation.

Correct Sales Tax

Our Department wants retailers to charge sales tax correctly and to do so uniformly so that one business does not have an advantage over another. If you know of a business that is incorrectly charging sales tax, [let us know](#). We will keep your information confidential and simply contact the business and explain the correct way to charge the tax.

Local Option Sales Tax

Through June 30, 2008, Iowa had two local option sales taxes: the “regular” local option sales tax (LOST) and the school infrastructure local option tax (SILO). Beginning July 1, 2008, SILO is no longer collected as a separate tax. The “regular” local option tax remains in effect.

Local option tax applies in addition to the state sales or use tax. As a general rule, local option tax is collected on the sale of the same services and tangible personal property that are subject to the state sales tax and delivered in local option jurisdictions.

“Delivery” is the location in which ownership of tangible personal property is transferred from the seller to the buyer or the location where the first use of a service occurs, or potentially could occur. If delivery occurs in a local option tax jurisdiction, then the local option tax must be collected on the transaction.

Within a county, some cities may have the local option tax, some may not. Also, the unincorporated area of a county may or may not have the tax. The rate may be up to 1 percent. Not all jurisdictions have this tax.

There is no local option use tax in Iowa. Therefore, sales that are subject to a use tax, such as motor vehicles, are not subject to local option sales tax.

Local option tax lists are updated in June and in December; effective dates are July 1 and January 1. To obtain a current list of jurisdictions, please see our [local option sales tax page](#).

For more detailed information about the local option sales tax, [read Regular Local Option Questions and Answers](#) (78-601).

Use Tax

Iowa use tax is complementary to the Iowa sales tax. The general rule is that if tangible personal property or taxable services are purchased outside of Iowa for use or consumption in Iowa the sale is subject to Iowa use tax. In most cases, these are purchases made from out-of-state suppliers, catalogs, or magazines, or television, radio, or Internet vendors. The purchaser must pay the use tax to the Iowa Department of

Revenue. The purchaser may pay this tax to the retailer as part of the billing, or if the purchaser is not billed a use tax, then the purchaser must report and pay the use tax directly to the Department. The total gross purchases must be reported and the tax remitted in the quarter in which the purchase occurred.

When sales or use tax is paid to another state on goods that are also subject to Iowa use tax, a credit for the tax paid to the other state may be allowed. The credit cannot exceed the Iowa use tax rate.

Consumers who make out-of-state purchases and pay sales tax to another state at a rate less than the Iowa use tax must pay the difference to Iowa.

Businesses:

Businesses making taxable purchases on a regular basis should register with our Department to file consumer's use tax returns. However, some businesses may only occasionally make purchases for their own use and owe Iowa consumer's use tax. If this type of purchase is not typical for your business, instead of separately registering for consumer's use tax you can report the purchase on line 2 Goods Consumed of your quarterly sales tax return or file and pay the tax as outlined for individuals below.

Individuals:

Individuals without a permit who rarely make purchases subject to consumer's use tax should pay their tax in one of the following ways:

- Electronically through [eFile & Pay](#)
- Complete the worksheet [available on the Department's Website](#) and send to:
Iowa Department of Revenue
PO Box 10412
Des Moines, IA 50306-0412

Make check payable to: "Treasurer State of Iowa"

Anyone who regularly purchases merchandise from out of state for his or her own use in Iowa should register for a consumer's use tax permit and pay the tax on a quarterly basis.

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